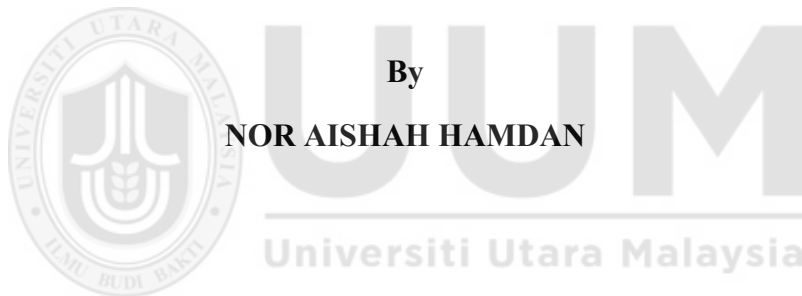


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**A COMPARATIVE ANALYSIS ON THE FINANCIAL PERFORMANCE
BETWEEN TAKAFUL AND CONVENTIONAL INSURANCE COMPANIES
IN MALAYSIA.**



By

NOR AISHAH HAMDAN

**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfilment of the Requirement for the Master in Islamic Finance and Banking**



Pusat Pengajian Perniagaan Islam
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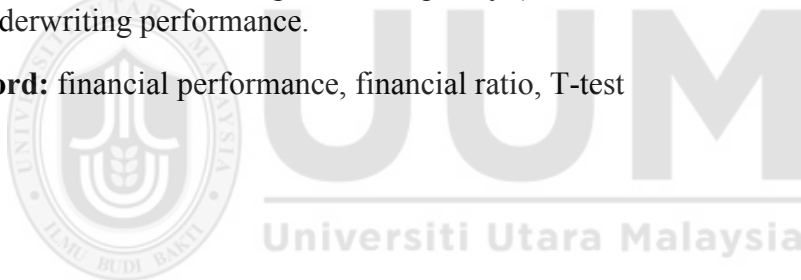
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ABSTRACT

This study attempts to measure the financial performance between Takaful and conventional insurance companies in Malaysia in ten years from year 2007 to 2016. Based on this study, researcher identify whether any differences exist between financial performance between Takaful and conventional insurance companies in Malaysia by using the financial ratio. To complete this task, researcher used financial ratio analysis method to draw the overview about financial performance between Takaful and conventional insurance companies in term of solvency, liquidity, profitability, underwriting performance and operating efficiency. To test the hypothesis of this study, researcher used descriptive analysis and T-test to compare the financial performance between Takaful and conventional insurance companies. These analyses help to see the financial performance for both institutions due in increasing the insurance industry in Malaysia. The finding of this study can be useful on the management for Takaful and conventional insurance companies in Malaysia to improve their financial performance based on financial ratio. The finding indicates that Takaful companies are better performed in financial performance compare to conventional insurance companies in Malaysia based on the financial ratio. Takaful companies are performed better in term of solvency ratio, cash ratio (liquidity ratio), profitability ratio (net profit margin and gross profit margin) and operating efficiency ratio which is account receivable turnover and total asset turnover. While, for the conventional insurance companies is liquidity (current ratio and net working capital) and underwriting performance.

Keyword: financial performance, financial ratio, T-test



ABSTRAK

Kajian ini mengukur prestasi kewangan syarikat di antara syarikat Takaful dan syarikat konvensional insurans di Malaysia dalam tempoh sepuluh tahun dari 2007 hingga 2016. Berdasarkan kajian ini, penyelidik mengenal pasti sama ada wujud perbezaan di antara prestasi kewangan antara syarikat Takaful dan syarikat konvensional insurans di Malaysia dengan menggunakan nisbah kewangan. Dalam kajian ini, penyelidik menggunakan kaedah analisis nisbah kewangan untuk memberi gambaran keseluruhan tentang prestasi kewangan syarikat di antara syarikat Takaful dan syarikat konvensional insurans dari segi kesolvenan, kecairan, keuntungan, prestasi pengunderaitan dan kecekapan operasi. Untuk menguji hipotesis kajian ini, penyelidik menggunakan analisis deskriptif dan ujian-T untuk membandingkan prestasi kewangan antara syarikat Takaful dan syarikat konvensional insurans. Analisis ini dapat membantu melihat prestasi kewangan bagi kedua-dua institusi disebabkan oleh peningkatan industri insurans di Malaysia. Kajian ini bermanfaat bagi pengurusan syarikat Takaful dan syarikat konvensional insurans di Malaysia untuk meningkatkan prestasi kewangan mereka berdasarkan nisbah kewangan. Berdasarkan kajian ini, syarikat Takaful menunjukkan prestasi yang baik dalam prestasi kewangan berbanding dengan syarikat insurans konvensional di Malaysia berdasarkan nisbah kewangan. Prestasi kewangan syarikat takaful lebih baik dari segi nisbah kesolvenan, nisbah tunai (nisbah kecairan), nisbah keuntungan (margin keuntungan bersih dan margin keuntungan kasar) dan nisbah kecekapan operasi yang merupakan perolehan akaun dan jumlah perolehan aset. Sementara itu, bagi syarikat konvensional insurans pula ialah lebih baik dari segi kecairan (nisbah semasa dan modal kerja bersih) dan prestasi pengunderaitan.

Kata kunci: prestasi kewangan, nisbah kewangan, kaedah ujian-T

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LIST OF ABBREVIATION

Al- aqilah

Gharar (Uncertainty)

Kafala

Maysir (Gambling)

Mudharabah

Riba (Interest)

Ta'awun

Tabarru'

Wakalah

Wakalah Waqf



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CHAPTER 1

INTRODUCTION

Everyone in this world is exposed to the possibility of risk and disaster in their life through accident, fire, losses, damage, etc. Thus, they have to find ways to avoid such trouble and minimized. One possible way to overcome by buys insurance cover. Furthermore, through insurance coverage, if loss occurs to the insured, the insurer will provide the financial compensation to lighten the burden of loses. The importance of insurance scheme is to protect the trade, economic, social activity and industry which contribute towards human progress.

In Malaysia have dual insurances system which is Takaful or insurance in Islamic and conventional system. In this chapter consist of the background of the Insurance system, background of Takaful, comparison of Takaful and conventional insurance, problem statement, research questions, research objectives, significant of the study, scope and limitation of the study, hypothesis, and conclusion for this chapter.

The Insurance industry in Malaysia is on the line of the industry in Britain. Even till 1955, foreign insurers dominated the local insurance market. However, after Independence in 1957, the Government took efforts to introduce the domestic insurance companies. By the early 1960s, the country witnessed the establishment of a few life insurance companies due to lack of proper business expertise and inadequate technical background. The government intervened by the enactment of Insurance Act 1963 to regulate the insurance industry.

In improving the supervision and regulation of the insurance industry, Insurance Act 1963 are replacing by the new which is Insurance Act 1996. In Insurance Act 1996 there some changes in the legislative framework in their operational and financial

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APPENDIX:

T-test

Solvency Ratio

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	6.4050	1.40503	.129	.900
Insurance	6.3580	.79631		

Liquidity Ratio

Current Ratio

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	4.2820	1.16083	-.056	.956
Insurance	4.3010	.71584		

Net Working Capital

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	322104.1700	81216.43355	-.925	.379
Insurance	352653.9000	45742.17190		

Cash Ratio

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	.4770	.29223	3.091	.013
Insurance	.1700	.05754		

Profitability Ratio

Net Profit Margin

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	.1430	.04322	1.432	.186
Insurance	.13050	.037822		

Gross Profit Margin

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	.6200	.08138	6.712	.000
Insurance	.4680	.03994		

Underwriting Performance

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	.3190	.07738	-17.303	.000
Insurance	1.0640	.19495		

Operating Efficiency

Account Receivable Turnover

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	5.5660	1.16406	3.658	.005
Insurance	3.6410	.89553		

Total Asset Turnover

Paired Samples Statistics

	Mean	Std. Deviation	t	Sig. (2-tailed)
Takaful	.2750	.06311	5.974	.000
Insurance	.15320	.050948		